

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Reading
Reading, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Reading as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Reading as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Reading's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bailey, Hodshire & Company, P.C.

January 6, 2009
Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

READING TOWNSHIP

HILLSDALE COUNTY, MICHIGAN

This section of Reading Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements which follow this section.

Financial Highlights

- The Township's total combined net assets decreased by \$45,544 between April 1, 2007 and March 31, 2008.
- The general fund reported a fund balance of \$248,707 at March 31, 2008, which is a decrease of \$55,465 from the prior year.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows the net assets of the Township as of the end of the year:

TABLE 1 - NET ASSETS

Assets:	<u>3-31-07</u>	<u>3-31-08</u>
Current assets	\$ 304,172	\$ 249,957
Noncurrent assets	<u>131,389</u>	<u>131,310</u>
Total assets	<u>\$ 435,561</u>	<u>\$ 381,267</u>
Liabilities:		
Current liabilities	\$ 10,000	\$ 11,250
Long-term liabilities	<u>65,000</u>	<u>55,000</u>
Total liabilities	<u>\$ 75,000</u>	<u>\$ 66,250</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 63,982	\$ 59,421
Invested in joint venture, net of related debt	(7,593)	6,889
Restricted	0	0
Unrestricted	<u>304,172</u>	<u>248,707</u>
Total net assets	<u>\$ 360,561</u>	<u>\$ 315,017</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
READING TOWNSHIP
HILLSDALE COUNTY, MICHIGAN**

The following table shows the changes in the net assets during the year:

TABLE 2 - CHANGE IN NET ASSETS	<u>2006-07</u>	<u>2007-08</u>
Program Revenue:		
Charges for services	\$ 45,105	\$ 51,043
Capital grants and contributions	0	0
General Revenue:		
Property tax	47,210	49,168
State shared revenue	121,520	121,777
Unrestricted investment earnings	8,425	9,003
Other	<u>13,057</u>	<u>13,253</u>
Total revenue	<u>\$ 235,317</u>	<u>\$ 244,244</u>
Expenses:		
General Government	\$ 103,785	\$ 106,774
Public Safety	26,500	50,340
Community & Economic Development	11,841	10,359
Public Works	67,555	110,150
Culture & Recreation	5,485	9,482
Interest on Long-Term Debt	<u>3,051</u>	<u>2,683</u>
Total expenses	<u>\$ 218,217</u>	<u>\$ 289,788</u>
CHANGE IN NET ASSETS	<u>\$ 17,100</u>	<u>\$ (45,544)</u>

Governmental Activities

Total revenues for the year increased slightly (less than 4%) from the previous year with slight increases in most of the revenue accounts.

Expenses increased considerably (\$71,571) over the previous fiscal year. While a smaller part of this (\$6,868) was improvements to the Township Hall building (new carpeting and replacement of all of the interior doors and all of the trim) the biggest portion of the increase is between the Road budget and the Fire Department.

Road projects increased this past year over the previous year. (\$29,382 the previous year compared to \$68,230 this past year) This included some projects that were started in the previous year but were not completed until this past year - - in fact the Humphrey Road resurfacing project will not be completed until the 2008-09 year. A repair on the Hemlock Road Bridge at Hog Creek was completed at a cost to the Township of \$10,702. A project to resurface Hemlock Road and Cedar Drive was done at a cost to the Township of \$34,380 and part of Abbott Road from Card Road to Reading Road was seal-coated at a cost to the township of \$10,781.

While the Fire Department budget shows an increase in expenditures from 2006-07 to 2007-08 of \$40,774, \$25,000 of that amount had been part of the township's fund balance and had been designated for Major Fire Equipment purchases was transferred to a newly created Fire Department Fund that is designated for Major Fire Equipment purchases. This was all a part of the reorganization of the Fire Department that is jointly operated between the City of Reading and the Township of Reading. The remainder of the difference can be attributed to the fact that the township contributed less in the previous year than what had been budgeted in that year.

MANAGEMENT'S DISCUSSION AND ANALYSIS READING TOWNSHIP HILLSDALE COUNTY, MICHIGAN

The Township's Funds

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Reading Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Reading Township presently uses governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Reading Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. The Cemetery Fund and Transfer Station Fund are also used by Reading Township. These are considered non-major funds. Each of these funds has their own sources of revenue, but they also require a transfer from General Fund to cover their total expenditures. Data from these other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on page 21-22 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the governmental unit. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. Reading Township uses a Tax Collection Fund for the collection and disbursement of real and personal property taxes to various taxing units.

General Fund Budgetary Highlights

Over the course of the 2007-08 year, several budget amendments were required. The Parks & Recreation Expense was increased from \$500 to \$4,000 for the purpose of joining with the City of Reading and the Reading Chamber of Commerce by providing \$4,000 to help support the Chamber's Park project within the City of Reading. Also, the Township Drains Expense was increased from \$1,500 to \$1,900 because of a slightly larger than normal drain assessment attributed to the township at large.

As part of the reorganization of the Fire Department, a sizable budget amendment was made only to show that \$25,000 that had been part of the township's fund balance and had been designated for Major Fire Equipment purchases was transferred to a newly created Fire Department Fund that is designated for Major Fire Equipment purchases.

MANAGEMENT'S DISCUSSION AND ANALYSIS
READING TOWNSHIP
HILLSDALE COUNTY, MICHIGAN

Capital Asset and Debt Administration

The long-term loan amount due on the fire truck was reduced by \$10,000 during the year.

There was a continued investment in the roads within the Township. The road work is done with the cooperation of the Hillsdale County Road Commission which performs (or contracts) the work and shares in the costs (according to their cost share policy). This infrastructure is not reported on the Township's financial statements because the roads are not the property of the Township.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008-2009 is expected to be very similar to the 2007-08 budget. Revenues are expected to be very similar for the two years.

Expenses are expected to be less for two major reasons. The \$25,000 into the Fire Department Equipment Fund will not be repeated this coming year and Road expenditures will be less than the previous year. The only major Road projects expected for the coming year is the completion of the Humphrey Road repaving project and perhaps a seal-coating project. The Road Commission's lack of matching funds for road projects contributes to a decrease in road projects. The Township spending is only a portion (usually 50%) of what is actually spent on these projects as the Hillsdale County Road Commission normally contributes the remainder of the money. These two decreases in expenditures would more than offset the additional expense of a Sewer and Water Study and Elections that will be held during the coming year.

Reading Township has joined with Hillsdale Township and Cambria Township in a study to determine the feasibility of providing a sewer system and a water supply system that would serve the lake areas of the township. Reading township's share of this study is estimated to be \$18,000.

There will be an increase in Election expenses as there will be two major elections in the coming year. There will be the August Primary Election and then the November General Election (which will be the Presidential Election). This will complete the first four-year cycle using the new election process (a cycle consisting of at least one of every type of election). The old lever-type mechanical voting machines have been replaced with an optical scan type of voting system that is uniform throughout Hillsdale County.

The Township Hall building improvement will continue with the completion of the replacement of a majority of the carpeting.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Reading Township Clerk.

TOWNSHIP OF READING
STATEMENT OF NET ASSETS
MARCH 31, 2008

ASSETS

Cash	\$ 200,960
Accounts receivable	39,870
Prepaid expenses	9,127
Investment in joint venture	71,889
Capital assets – nondepreciable	7,501
Capital assets – depreciable (net of depreciation)	<u>51,920</u>
Total assets	<u>\$ 381,267</u>

LIABILITIES

Accounts payable	\$ 1,250
Long-term liabilities:	
Due within one year	10,000
Due in more than one year	<u>55,000</u>
Total liabilities	<u>\$ 66,250</u>

NET ASSETS

Investment in capital assets, net of related debt	\$ 59,421
Investment in joint venture, net of related debt	6,889
Unrestricted	<u>248,707</u>
Total net assets	<u>\$ 315,017</u>
Total liabilities and net assets	<u>\$ 381,267</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF READING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General Government	\$ 106,774	\$ 28,032	\$ 0	\$ 0	\$ (78,742)
Public Safety	50,340	8,025	0	0	(42,315)
Community & Economic Development	10,359	1,015	0	0	(9,344)
Public Works	110,150	13,971	0	0	(96,179)
Culture & Recreation	9,482	0	0	0	(9,482)
Interest on Long-Term Debt	<u>2,683</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,683)</u>
Total	<u>\$ 289,788</u>	<u>\$ 51,043</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(238,745)</u>

General Revenues:

Property tax, levied for general purposes	\$ 49,168
State shared revenue	121,777
Unrestricted investment earnings	9,003
Other	<u>13,253</u>
Total General Revenues	<u>\$ 193,201</u>
Change in Net Assets	\$ (45,544)
Net Assets - Beginning	<u>360,561</u>
Net Assets - Ending	<u>\$ 315,017</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF READING
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 200,960	\$ 0	\$ 200,960
Due from other governmental units	24,146	0	24,146
Prepaid expenditures	9,127	0	9,127
Due from agency fund	<u>15,724</u>	<u>0</u>	<u>15,724</u>
Total assets	<u>\$ 249,957</u>	<u>\$ 0</u>	<u>\$ 249,957</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	<u>\$ 1,250</u>	<u>\$ 0</u>	<u>\$ 1,250</u>
Fund Equity:			
Fund Balance			
Reserved	\$ 0	\$ 0	\$ 0
Unreserved/Undesignated	<u>248,707</u>	<u>0</u>	<u>248,707</u>
Total fund equity	<u>\$ 248,707</u>	<u>\$ 0</u>	<u>\$ 248,707</u>
Total liabilities and fund equity	<u>\$ 249,957</u>	<u>\$ 0</u>	<u>\$ 249,957</u>

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Assets of Governmental Activities on the Statement of Net Assets

Fund Balances - total governmental funds	\$ 248,707
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital assets	95,324
Deduct: Accumulated depreciation	(35,903)
Long-term liability for the fire truck loan is not due and payable in the current period, so it is not reported in the financial statements	(65,000)
The investment in the joint venture Fire Department is reported in the government-wide financial statements only	<u>71,889</u>
Net assets of governmental activities	<u>\$ 315,017</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF READING
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUE			
Property taxes	\$ 49,168	\$ 0	\$ 49,168
Tax administration fees	19,541	0	19,541
State shared revenue	121,777	0	122,177
Charges for services	14,229	17,273	31,502
Franchise fees	5,903	0	5,903
Interest income	9,003	0	9,003
Miscellaneous	<u>7,350</u>	<u>0</u>	<u>7,350</u>
Total revenue	<u>\$ 226,971</u>	<u>\$ 17,273</u>	<u>\$ 244,244</u>
EXPENDITURES			
General Government	\$ 93,630	\$ 8,583	\$ 102,213
Public Safety	67,505	0	67,505
Public Works	86,658	23,492	110,150
Community and Economic Development	10,359	0	10,359
Culture and Recreation	<u>9,482</u>	<u>0</u>	<u>9,482</u>
Total expenditures	<u>\$ 267,634</u>	<u>\$ 32,075</u>	<u>\$ 299,709</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (40,663)</u>	<u>\$ (14,802)</u>	<u>\$ (55,465)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 0	\$ 14,802	\$ 14,802
Operating transfers out	<u>(14,802)</u>	<u>0</u>	<u>(14,802)</u>
Total other financing sources (uses)	<u>\$ (14,802)</u>	<u>\$ 14,802</u>	<u>\$ 0</u>
NET CHANGES IN FUND BALANCES	\$ (55,465)	\$ 0	\$ (55,465)
FUND BALANCES - Beginning	<u>304,172</u>	<u>0</u>	<u>304,172</u>
FUND BALANCES - Ending	<u>\$ 248,707</u>	<u>\$ 0</u>	<u>\$ 248,707</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF READING
Reconciliation of Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds	\$ (55,465)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	0
Deduct: depreciation expense	(4,561)

Current year long-term debt principal payments on the fire truck note are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	10,000
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Net loss from the joint venture Fire Department is not recorded in the fund financial statements, but is recorded in the government-wide financial statements	<u>4,482</u>
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Change in net assets of governmental activities	<u>\$ (45,544)</u>
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The accompanying notes are an integral part of this statement.

TOWNSHIP OF READING
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2008

ASSETS

Cash

\$ 15,724

LIABILITIES

Due to Township general fund

\$ 15,724

The accompanying notes are an integral part of this statement.

TOWNSHIP OF READING
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Reading is located in Hillsdale County, Michigan, and comprises a population of approximately 1,781 residents. It is governed by a board consisting of 5 members with a supervisor as its head. The accounting policies of the Township of Reading conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The following is a summary of significant accounting policies used by the Township of Reading:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWNSHIP OF READING
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measureable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

Financial Statement Presentation

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

The following governmental funds are considered nonmajor:

Cemetery Fund - established as a special revenue fund to account for the revenue and expenditures associated with the operation and maintenance of Township cemeteries.

Transfer Station Fund - established as a special revenue fund to account for the revenue and expenditures associated with garbage service available to Township residents.

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and investments are reported at cost.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

TOWNSHIP OF READING
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township maintains a capitalization threshold of \$5,000. The Township does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	50 years
Furniture & Fixtures	20 years
Cemetery Equipment	15 years
Technology	5 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as “due to/from other funds.” These amounts are eliminated on the government-wide statement of net assets.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - JOINT VENTURE

The Township is a participant in a joint venture agreement with the City of Reading for the operation of the Reading Community Fire Department (the “Department”). In accordance with the provisions of Governmental Accounting Standards Board No. 14, the joint venture results from the ongoing financial responsibility of the Department’s operations agreed to by the municipalities pursuant to the contractual agreement. The Township and City each appoint two members of the five-member Fire Board which oversees the operations. The fifth member is appointed by the other four members. The Township and City each have a 50 percent ownership in the venture.

The Fire Department reported revenue in excess of expenses in the amount of \$8,965 for the year ended March 31, 2008. Reading Township has reported \$4,482 (50%) of the revenue over expenses in its Statement of Activities. The Township’s investment in the joint venture is reported in the Statement of Net Assets in the amount of \$71,889. The financial activity of the Fire Department for the year ended March 31, 2008 has not been audited, and we were not engaged to audit the Fire Department’s financial statements as part of our audit of the Township’s basic financial statements.

TOWNSHIP OF READING
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted obtain taxpayer comments.
- 3) In early April, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

NOTE 4 - DEPOSITS AND INVESTMENTS

State laws authorize the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2008, the Township's deposits are in accordance with statutory authority.

Deposits

Following are the components of the Township's bank deposits at March 31, 2008:

Checking Accounts	\$ 16,462
Savings Accounts	94,455
Certificates of Deposit	<u>105,767</u>
Total	<u>\$ 216,684</u>

Interest Rate Risk - In accordance with its investment policy, the Township manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and by investing operating funds primarily in certificates of deposit.

Credit Risk - The Township minimizes credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to certificates of deposit.

Concentration of Credit Risk - The Township does not have limits on the amount the Township may deposit with any one issuer.

TOWNSHIP OF READING
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At March 31, 2008, the carrying amount of the Township's deposits was \$216,684 and the bank balance was \$228,021. Of the bank balance, \$100,000 was covered by federal depository insurance and \$128,021 was uninsured.

Investments

There were no investments held during the year.

NOTE 5 - RECEIVABLES

Receivables at March 31, 2008, consist of property taxes, special assessments, and fire run charges, and are considered collectible in full.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at March 31, 2008, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	<u>\$ 15,724</u>	Tax Collection Fund	<u>\$ 15,724</u>

Interfund transfers during the year consisted of the following:

Transfer from Tax Collection Fund to General Fund	\$ 71,428
Transfer from General Fund to Cemetery Fund	5,281
Transfer from General Fund to Transfer Station Fund	9,521

The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund.

The transfers from General Fund to Cemetery Fund and Transfer Station Fund were made to cover the normal shortfall of revenue under expenditures in those funds.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 7,501</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,501</u>
Capital assets being depreciated				
Buildings & Improvements	\$ 75,468	\$ 0	\$ 0	\$ 75,468
Furniture & Equipment	<u>12,355</u>	<u>0</u>	<u>0</u>	<u>12,355</u>
Subtotal	<u>\$ 87,823</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87,823</u>

TOWNSHIP OF READING
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 7 - CAPITAL ASSETS (continued)

Less accumulated depreciation for				
Buildings & Improvements	\$ (30,236)	\$ (2,090)	\$ 0	\$ (32,326)
Furniture & Equipment	<u>(1,106)</u>	<u>(2,471)</u>	<u>0</u>	<u>(3,577)</u>
Subtotal	<u>\$ (31,342)</u>	<u>\$ (4,561)</u>	<u>\$ 0</u>	<u>\$ (35,903)</u>
Total capital assets being depreciated, net	<u>\$ 56,481</u>	<u>\$ (4,561)</u>	<u>\$ 0</u>	<u>\$ 51,920</u>
Total capital assets, net	<u>\$ 63,982</u>	<u>\$ (4,561)</u>	<u>\$ 0</u>	<u>\$ 59,421</u>

Depreciation expense was charged to functions/programs of the Township as follows:

General Government	<u>\$ 4,561</u>
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NOTE 8 - LONG-TERM DEBT

In the 2004-05 fiscal year, the Township borrowed \$100,000 to help fund 50% of the cost of a new fire truck for the joint venture fire department with the City of Reading. The loan is with County National Bank, carries an interest rate of 3.7%, and is secured by the fire truck.

The following is a summary of changes in long-term debt for the year ended March 31, 2008:

	Balance <u>April 1, 2007</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>March 31, 2008</u>	Due Within <u>One Year</u>
Fire Truck loan	<u>\$ 75,000</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 65,000</u>	<u>\$ 10,000</u>

The annual debt service requirements are as follows:

Year Ending <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 10,000	\$ 2,312	\$ 12,312
2010	10,000	1,943	11,943
2011	10,000	1,572	11,572
2012	10,000	1,202	11,202
2013	10,000	833	10,833
2014 - 2015	<u>15,000</u>	<u>555</u>	<u>15,555</u>
	<u>\$ 65,000</u>	<u>\$ 8,417</u>	<u>\$ 73,417</u>

NOTE 9 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2007 was .7155 mills for general operations on a total state taxable valuation of approximately \$68,981,000. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

TOWNSHIP OF READING
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 10 - DEFERRED COMPENSATION PLAN

On June 10, 1991, the Township of Reading adopted and implemented an Employee Deferred Compensation Plan with the Lincoln National Life Insurance Company. This plan covers each person within the following classes of officers and employees: all members of the Township Board and any employee who is willing to meet the requirements of the plan. Specifically excluded from participation in the plan are independent contractors. The Township of Reading contributes a percentage of all wages and salaries towards a qualified annuity or pension contract for each person within the class of officers and employees enumerated in the plan. This percentage of Township contribution is determined by the Township Board prior to the anniversary date of the plan each year. Any change to this rate of participation must have been approved at the most recent annual meeting of the Township. The percentage shall never exceed 7.5%. The Township's contributions are secured from the general fund of the Township. Each eligible officer or employee is responsible for the remainder of the premium, charges, or minimum required contribution, and the Township Treasurer is authorized to deduct these amounts from each person's pay, salary, or compensation.

NOTE 11 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 12 - UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Township has a contract with Ben Wheeler Company for assessment services. Ben Wheeler is the son of Roger Wheeler, Township Clerk, and Judy Wheeler, Township Treasurer. The contract was awarded on a competitive bid basis in November, 2005. Payments to Ben Wheeler Company for the year ended March 31, 2008, totaled \$16,965.

NOTE 14 - COMMITMENTS

At its March, 2008 meeting, the Township Board approved various contracts with the Hillsdale County Road Commission totaling \$57,850 (Township share) for road projects to be completed in the 2008-09 fiscal year.

At its November, 2007 meeting, the Township Board approved a joint study with the Townships of Cambria and Hillsdale to determine the feasibility of a sewer system to serve the three townships. The cost of the study (approximately \$54,000) will be due in the 2008-09 fiscal year and will be shared equally between the three townships.

TOWNSHIP OF READING
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of year fund balance	\$ 284,568	\$ 284,568	\$ 304,172	\$ 19,604
Resources (inflows)				
Property taxes	47,000	47,000	49,168	2,168
Tax administration fees	18,000	18,000	19,541	1,541
State shared revenue	110,000	110,000	121,777	11,777
Charges for services	2,600	2,600	14,229	11,629
Franchise fees	4,000	4,000	5,903	1,903
Interest income	2,500	2,500	9,003	6,503
Miscellaneous	<u>6,150</u>	<u>6,150</u>	<u>7,350</u>	<u>1,200</u>
Amounts available for appropriation	<u>\$ 474,818</u>	<u>\$ 474,818</u>	<u>\$ 531,143</u>	<u>\$ 56,325</u>
Charges to appropriations (outflows)				
General Government				
Township Board	\$ 30,000	\$ 30,000	\$ 19,988	\$ (10,012)
Supervisor	10,000	10,000	8,612	(1,388)
Elections	1,500	1,500	1,140	(360)
Assessor	20,000	20,000	18,063	(1,937)
Clerk	12,000	12,000	10,949	(1,051)
Board of Review	1,600	1,600	788	(812)
Treasurer	22,000	22,000	19,562	(2,438)
Data processing	5,000	5,000	936	(4,064)
Township hall	25,000	25,000	13,592	(11,408)
Public Safety				
Fire contract	43,000	68,000	67,505	(495)
Public Works				
Roads	90,000	90,000	82,677	(7,323)
Street lights	2,200	2,200	2,108	(92)
Drains	1,500	1,900	1,873	(27)
Community and Economic Development				
Planning Commission	18,000	18,000	10,359	(7,641)
Culture and Recreation				
Parks	500	4,000	4,000	0
Library	11,000	11,000	5,482	(5,518)
Transfers to other funds	<u>20,000</u>	<u>20,000</u>	<u>14,802</u>	<u>(5,198)</u>
Total charges to appropriations	<u>\$ 313,300</u>	<u>\$ 342,200</u>	<u>\$ 282,436</u>	<u>\$ (59,764)</u>
End of year fund balance	<u>\$ 161,518</u>	<u>\$ 132,618</u>	<u>\$ 248,707</u>	<u>\$ 116,089</u>

TOWNSHIP OF READING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2008

	Cemetery <u>Fund</u>	Transfer Station <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash & investments	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
LIABILITIES AND FUND BALANCE			
Liabilities	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balance	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total liabilities and fund balance	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF READING
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED MARCH 31, 2008

	Cemetery Fund	Transfer Station Fund	Total Nonmajor Governmental Funds
REVENUE			
Charges for services	\$ 3,302	\$ 13,971	\$ 17,273
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue	<u>\$ 3,302</u>	<u>\$ 13,971</u>	<u>\$ 17,273</u>
EXPENDITURES			
General Government			
Cemetery	\$ 8,583	\$ 0	\$ 8,583
Public Works			
Sanitation	<u>0</u>	<u>23,492</u>	<u>23,492</u>
Total expenditures	<u>\$ 8,583</u>	<u>\$ 23,492</u>	<u>\$ 32,075</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (5,281)</u>	<u>\$ (9,521)</u>	<u>\$ (14,802)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 5,281	\$ 9,521	\$ 14,802
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>\$ 5,281</u>	<u>\$ 9,521</u>	<u>\$ 14,802</u>
NET CHANGES IN FUND BALANCES	\$ 0	\$ 0	\$ 0
FUND BALANCES - Beginning	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - Ending	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF READING
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2008</u>
ASSETS				
Cash	<u>\$ 13,635</u>	<u>\$ 1,897,209</u>	<u>\$ 1,895,120</u>	<u>\$ 15,724</u>
LIABILITIES				
Due to Other Funds	\$ 13,635	\$ 76,540	\$ 74,451	\$ 15,724
Due to County	0	845,004	845,004	0
Due to Schools	<u>0</u>	<u>975,665</u>	<u>975,665</u>	<u>0</u>
	<u>\$ 13,635</u>	<u>\$ 1,897,209</u>	<u>\$ 1,895,120</u>	<u>\$ 15,724</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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January 6, 2009

Township of Reading
Reading, Michigan

In planning and performing our audit of the financial statements of Reading Township of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Fire Billing

The Township does not have procedures in place to track the status and enforce the collection of unpaid billings for fire runs. We recommend that the Township retain copies of the billings that are sent to residents so that they can be marked when payment is received and/or used for follow-up on unpaid accounts.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we do not consider the significant deficiency described above to be a material weakness.

We noted other matters involving the internal control and its operation that we did not consider to be significant deficiencies or material weaknesses, but are opportunities for improvement:

Cash

There are several old outstanding checks on the General Fund checking account that should either be replaced or voided out and restored to cash.

Investments

The Township should adopt a revised investment policy to comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 40.

This communication is intended solely for the information and use of the Township Board and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
January 6, 2009